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GROOM CREEK WATER USERS ASSOCIATION

P.O. Box 3897  
PRESCOTT, ARIZONA 86302

July 21, 2015

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TO:

Arizona Corporation Commission 2015 JUL 24 PM 2 26

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Steve Olea  
Director, Utilities Division  
Arizona Corporation Commission  
1200 West Washington St.  
Phoenix, Arizona 85007-2927

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REFERENCE: Docket No. W00000C-15-0250, SMALL WATER SYSTEMS FUND

Mr. Olea:

In your letter dated July 10, 2015, you asked for comments regarding the above referenced subject. It appears that the object of your discussion at the Staff Meeting held on July 7 was to establish another state fund called Small Water System Fund (SWSF) to provide grants for failing water systems. I question why it is necessary to establish another fund when utilities already have ready access to low cost money for repair and replacement projects. The USDA and WIFA already provide this service and actively look for water utilities to fund these projects. I particularly object to your option of assessing customers of all water companies to provide funds for this SWSF. I feel it is an outrage to force compliant water utilities to pay for the management failures of other utilities.

The Groom Creek Water Users Association(GCWUA) is probably one of the very few small water utility success stories under ACC control in Arizona. This summer we completed the final part of our replacement project that started nine years ago by installing all new radio meters in our system. We now have a 100 percent new physical plant along with a modern pipeline distribution system. Up until about six years ago we had failing main lines and as high as a 40 percent water loss in the system. We could have just let the system further deteriorate and eventually come to the ACC for emergency funding or we could take matters into our own hands and fix what had to be done. Our Board of Directors chose the latter option. We spent two years before numerous ACC Staff meetings until we were approved for the rate increase we needed to obtain funding for new construction. Our new distribution system went into service in 2011.

This past year I have been providing water system improvement consulting services to another small utility in Central Arizona until they decided cheap water was a higher priority than much need improvements with a system that has over 20 major operational deficiencies. My experience has been that most small water utilities are

managed by people who do not have the expertise or the will to make system improvements even though improvements are urgently needed. People are greedy; want the lowest cost for their water; and are not willing to accept higher water rates to fund new projects.

Another major deficiency seems to be that no Arizona water oversight agencies such as ADEQ, ADWR, and possibly the ACC have any legal authority to force utilities to make improvements when there is the financial ability on the part of the utility in question to do so but they do not have the incentive to take action.

The GCWUA Board of Directors or its members are not in favor of supporting other water systems financially who are not willing to do their own due diligence to rectify their own water problems. The ACC could impose a surcharge on individual utilities to fix their own problems on a case-by-case basis from a rate case application. Personally, I think creating another fund is redundant and not needed when ample funds for these types of activities are already available to all of these utilities. I also do not see interim managers/operators appointed by the Commission taking on the required personal effort to manage major system upgrades.

The Commission needs to concentrate on forcing individual owner/operators to initiate system upgrades to eliminate these emergency situations that you face with specific water utilities and not just create another fund when financing is not the issue.

If you or your Staff wishes to discuss this further with me, I can be contacted at (602) 725-3001 or by e-mail at [kalbar1@aol.com](mailto:kalbar1@aol.com). I have been involved with the Groom Creek project from its inception in 2006 to completion and have the management experience in handling public support of the residents, ACC rate increase process and approval, engineering design, construction, startup, and operation of our system. I am also an Arizona licensed P.E. and am current President of our Association.

Sincerely,

A handwritten signature in black ink that reads "Kal Miller". The signature is written in a cursive, slightly slanted style.

Kal Miller, President  
GCWUA

Cc:

K. Anderson